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UNCLAS HARARE 000492

SIPDIS

SENSITIVE

STATE FOR AF/S  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR ROSA WHITAKER  
TREASURY FOR ED BARBER AND C WILKINSON  
STATE PASS USAID FOR MARJORIE COPSON

[E](#). O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EINV](#) [ZI](#)

SUBJECT: Zimbabwe's Ghost Exports: The Case of Fertilizer

[1](#)1. (SBU) Summary: Top executives of Zimbabwe's sole ammonium nitrate producer charge GOZ officials and others are illegally exporting fertilizer, triggering shortages on the domestic market. End summary.

#### A Trail of Illegal Exports

[1](#)2. (SBU) Although Sable Chemicals is producing 30 percent less ammonium nitrate than in 1999, the firm's CEO and production manager told us the quantity should be sufficient to cover present fertilizer needs of Zimbabwean farmers. Since recently dispossessed commercial farmers used to account for 70 percent of fertilizer sales, demand has dropped precipitously. Like many price-controlled items, however, much of the country's fertilizer is being illegally exported to neighboring countries.

[1](#)3. (SBU) The Sable officials said they started to track large amounts of Zimbabwe-produced fertilizer in Zambia after the GOZ took over the market in mid-2002. The Government buys all domestic fertilizer at the controlled price of Z\$ 30,000/ton, a net loss for the industry, then sells or distributes it on retail and commercial markets. The GOZ claims it became the country's fertilizer broker to ensure product availability for newly-resettled farmers. But Zimbabwe is suffering an acute shortage while domestic fertilizer is showing up abroad. In Zambia, for example, it fetches Z\$ 170,000/ton, almost 6-fold the controlled price.

#### Comment

[1](#)4. (SBU) Ironically, the Sable reps say they could earn a handsome profit exporting ammonium nitrate to Zambia. (Owing to "shortages," the GOZ does not allow the company to export.) They estimate the fertilizer cost for Zambian farmers would run Z\$ 100-120,000/ton, versus Z\$ 170,000 for clandestine exports. And by earning foreign exchange through exports, Sable would be able to boost production.

[1](#)5. (SBU) This textbook case illustrates why price controls invariably lead to profiteering for the few and shortages for the many. Fertilizer, of course, is but one of many leakages through Zimbabwe's robust informal sector.

Sullivan